

**FORM ADV****Part 2**Firm: **Red Star Asset Management, LP**

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**Uniform Application for Investment Adviser Registration**Name of Investment Adviser: **Red Star Asset Management L.P.**Web site: [www.redstarfunds.com](http://www.redstarfunds.com)

Address: (Zip Code)	(Number and Street)	(City)	(State)	Area Code:	Telephone Number:
<b>Canon's Court,</b>	<b>22 Victoria Street,</b>	<b>Hamilton</b>	<b>Bermuda HM1179</b>	<b>441</b>	<b>298-3578</b>

This brochure provides information about the qualifications and business practices of Red Star Asset Management LP.

If you have any questions about the content of this brochure, please contact us at 441 298-3578 or at

[Tikhonova@redstarfunds.com](mailto:Tikhonova@redstarfunds.com). The information in this brochure has not been approved or verified by the United States Securities and Exchange Commission or by any state securities authority.

Red Star Asset Management L.P. is registered as an Investment Advisor with the U.S. Securities and Exchange Commission, such registration does not imply a certain level of skill or training.

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**1. Advisory Services.**

Red Star Asset Management L.P., a Bermuda limited partnership is registered as an investment advisor with the U.S. Securities and Exchange Commission since 2005. It is owned by the management and employees: James R. Fenkner, CFA, CIO; Tatiana Tikhonova, COO.

Red Star Asset Management LP (the "Investment Manager") has been appointed by Red Star Funds, SPC (the "Fund") as investment manager for the Fund. The Fund is the Investment Manager's first client.

The Fund may engage in a variety of differing investment strategies. Each Segregated Portfolio will represent a distinct strategy. Investors may invest in different Segregated Portfolios as well as switching between Segregated Portfolios, subject to any restrictions attached to a particular Segregated Portfolio and payment of the applicable Conversion Fee.

None of the Fund, the Directors, the Investment Manager will provide advice or pass judgment as to the suitability of a Segregated Portfolio for an investor. Each prospective investor should consult its own advisors as to legal, investment, tax and other related matters concerning an investment in a Segregated Portfolio.

As of December 31, 2011 the Fund has USD 3 000 000 under its management.

**Advisory Services** (check the applicable boxes)

For each type of service provided, state the approximate % of total advisory billings from that service.  
(See instruction below.)

**A. Applicant:**

- |                                     |   |            |
|-------------------------------------|---|------------|
| <input type="checkbox"/>            | (1) Provides investment supervisory services .....  | _____ %    |
| <input checked="" type="checkbox"/> | (2) Manages investment advisory accounts not involving investment supervisory services .....  | _____ 100% |
| <input type="checkbox"/>            | (3) Furnishes investment advice through consultations not included in either service described above .....  | _____ %    |
| <input type="checkbox"/>            | (4) Issues periodicals about securities by subscription .....   | _____ %    |
| <input type="checkbox"/>            | (5) Issues special reports about securities not included in any service described above .....   | _____ %    |
| <input type="checkbox"/>            | (6) Issues, not as part of any service described above, any charts, graphs, formulas, or other devices which clients may use to evaluate securities ..... | _____ %    |
| <input type="checkbox"/>            | (7) On more than an occasional basis, furnishes advice to clients on matters not involving securities .....   | _____ %    |
| <input type="checkbox"/>            | (8) Provides a timing service .....   | _____ %    |
| <input type="checkbox"/>            | (9) Furnishes advice about securities in any manner not described above .....   | _____ %    |

(Percentages should be based on applicant's last fiscal year. If applicant has not completed its first fiscal year, provide estimates of advisory billings for that year and state that the percentages are estimates.)

- B.** Does applicant call any of the services it checked above financial planning or some similar term? .....

Yes No  
☐ ☒

**2. Fees and Compensation.**

For its services, the Investment Manager is entitled to a Management Fee and Performance Fee. 2% of Management fees per year paid quarterly and 20% Performance fees with high-water mark.

**Management Fee**

The Investment Manager is entitled to a Management Fee in respect of the Class C Shares of the Segregated Portfolio at the rate of 2% per annum of the Net Asset Value of such Shares.

Management Fees generally are calculated and payable to the Investment Manager at the end of each month and as of any redemption date of Class C Shares occurring prior to the end of any month. The Management Fee payable with respect to any Class C Shares redeemed prior to the end of a month is determined solely by reference to such Shares and will be payable to the Investment Manager on the redemption date.

The Management Fees with respect to holders of Class C Shares in the Segregated Portfolio may be fully or partially rebated by the Investment Manager in its sole and absolute discretion. The Class A and Class B Shares do not bear

Management Fees.

### Performance Fee

The Investment Manager is also entitled to receive a quarterly performance fee ("**Performance Fee**") equal to 20% of any increase in the Net Asset Value per Share. Any Performance Fee charged by the Segregated Portfolio is subject to a high water mark, save in the circumstances where a subscriber makes a Deficit Subscription (as defined below) in which case a Performance Fee may be payable by such subscriber on gains below the high water mark.

The Performance Fee will be payable in respect of each calendar quarter, save that the first Performance Fee period begun on the Commencement Date and ended on 30 June 2005.

The method of calculating the Performance Fee is designed to ensure that (a) any Performance Fee paid to the Investment Manager is charged only to those Shares which have appreciated in value; (b) all Shareholders have the same amount of capital per Share at risk in the Segregated Portfolio; and (c) all Shareholders have the same Net Asset Value per Share.

The Performance Fee is accrued monthly and taken into account in the calculation of the Net Asset Value per Share of the relevant Class of a Segregated Portfolio on each Dealing Day. In the event that a Shareholder redeems Shares prior to the end of a calendar quarter, any Performance Fee owing in respect of the positive performance of such Shares becomes payable and will be deducted from the redemption proceeds and paid to the Investment Manager (subject to any deferred compensation plan described below). The Performance Fee in respect of each calendar quarter is calculated by reference to the Net Asset Value per Share before the deduction of any accrued Performance Fees.

C. Applicant offers investment advisory services for: (check all that apply):

- |   |  |
|---|--|
| <input checked="" type="checkbox"/> (1) A percentage of assets under management | <input type="checkbox"/> (4) Subscription fees |
| <input type="checkbox"/> (2) Hourly charges                                     | <input type="checkbox"/> (5) Commissions       |
| <input type="checkbox"/> (3) Fixed fees (not including subscription fees)       | <input type="checkbox"/> (6) Other             |

**3. Types of Clients** -- Applicant provides investment advice to: (check those that apply)

- |  |  |
|--|--|
| <input type="checkbox"/> A. Individuals                      | <input type="checkbox"/> E. Trusts, estates, or charitable organizations                               |
| <input type="checkbox"/> B. Banks or thrift institutions     | <input checked="" type="checkbox"/> F. Corporations or business entities other than those listed above |
| <input type="checkbox"/> C. Investment companies             | <input type="checkbox"/> G. Other _____  |
| <input type="checkbox"/> D. Pension and profit sharing plans |  |

**4. Types of Investments.** Applicant offers advice on the following: (check those that apply)

- |  |   |
|--|---|
| <input checked="" type="checkbox"/> A. Equity Securities                   | <input type="checkbox"/> H. United States government securities     |
| <input checked="" type="checkbox"/> (1) exchange-listed securities         |   |
| <input checked="" type="checkbox"/> (2) securities traded over-the-counter | <input type="checkbox"/> I. Options contracts on:                   |
| <input checked="" type="checkbox"/> (3) foreign issuers                    | <input type="checkbox"/> (1) securities                             |
|  | <input type="checkbox"/> (2) commodities                            |
| <input type="checkbox"/> B. Warrants                                       |   |
| <input checked="" type="checkbox"/> C. Corporate debt securities           | <input type="checkbox"/> J. Futures contracts on:                   |
| (other than commercial paper)  | <input type="checkbox"/> (1) tangibles                              |
|  | <input type="checkbox"/> (2) intangibles                            |
| <input type="checkbox"/> D. Commercial paper                               |   |
| <input type="checkbox"/> E. Certificates of deposit                        | <input type="checkbox"/> K. Interests in partnerships investing in: |
| <input type="checkbox"/> F. Municipal securities                           | <input type="checkbox"/> (1) real estate                            |
|  | <input type="checkbox"/> (2) oil and gas interests                  |
| <input type="checkbox"/> G. Investment company securities                  | <input type="checkbox"/> (3) other                                  |
| <input type="checkbox"/> (1) variable life insurance                       | <input type="checkbox"/> L. Other                                   |
| <input type="checkbox"/> (2) variable annuities                            |   |
| <input type="checkbox"/> (3) mutual fund shares                            |   |

**5. Methods of Analysis, Sources of Information, and Investment Strategies.**

- A. Applicant's security analysis methods include: (check those that apply)
- |   |  |
|---|--|
| (1) <input checked="" type="checkbox"/> Charting    | (4) <input type="checkbox"/> Cyclical                      |
| (2) <input checked="" type="checkbox"/> Fundamental | (5) <input type="checkbox"/> Other (explain on Schedule F) |
| (3) <input checked="" type="checkbox"/> Technical   |  |
- B. The main sources of information applicant uses include: (check those that apply)
- |   |   |
|---|---|
| (1) <input checked="" type="checkbox"/> Financial newspapers and magazines    | (5) <input type="checkbox"/> Timing services  |
| (2) <input checked="" type="checkbox"/> Inspections of corporate activities   | (6) <input checked="" type="checkbox"/> Annual reports, prospectuses, filings with the Securities and Exchange Commission |
| (3) <input checked="" type="checkbox"/> Research materials prepared by others | (7) <input type="checkbox"/> Company press releases   |
| (4) <input type="checkbox"/> Corporate rating services                        | (8) <input type="checkbox"/> Other (explain on Schedule F)  |
- C. The investment strategies used to implement any investment advice given to clients include: (check those that apply)
- |  |  |
|--|--|
| (1) <input checked="" type="checkbox"/> Long term purchases<br>(securities held at least a year) | (5) <input checked="" type="checkbox"/> Margin transactions  |
| (2) <input checked="" type="checkbox"/> Short term purchases<br>(securities sold within a year)  | (6) <input type="checkbox"/> Option writing, including covered options,<br>uncovered options or spreading strategies |
| (3) <input checked="" type="checkbox"/> Trading (securities sold within 30 days)                 | (7) <input type="checkbox"/> Other (explain on Schedule F)   |
| (4) <input checked="" type="checkbox"/> Short sales  |  |

The Investment Manager uses fundamental and relative analysis to seek out price discrepancies in Eastern and Central Europe, Russia and the Former Soviet Union (FSU) markets (the Region). The Investment Manager has no preconceived bias toward either growth or value investments.

The implementing investment strategy is to be long securities which we believe are fundamentally undervalued and short securities which we believe are fundamentally overvalued.

During times of market weakness, the Investment Manager has historically found more compelling long candidates than short candidates. As a result, the Fund's net long exposure has been relatively high. In contrast, following a market rally or when valuation drivers and/or company valuations deteriorate, more short candidates (than long candidates) are available. At this point, the Fund's net exposure is likely to be low.

Our investment principle is based on the belief that fundamental analysis and a disciplined approach will over the medium-term generate the highest risk-adjusted returns.

Red Star's trading philosophy is that, for investors, less trading tends to generate more value. Due to bid/offer spreads, we recognize that active trading enriches counter parties, not investors.

Red Star primarily uses internal order levels to execute trades and reviews these orders on a regular basis.

We calculate risk on the basis of overall portfolio volatility. Given our long/short strategy, we would expect our volatility to remain significantly lower than that of the indexes in the Region.

Individual securities risk is controlled by limiting the size of any one investment to less than 20% of total assets. On an exposure basis, risk is analyzed using long, short, net and gross position weightings. Portfolio risk is controlled primarily through diversification across sectors and countries

#### 6. Disciplinary Information.

Are there any material, criminal, civil or administrative proceedings pending or threatened against the firm or any of its principles, or have there ever been such matters? .....

Yes No  
☐ ☒

#### 7. Other Financial Industry Activities or Affiliations. (check those that apply)

- ☐ A. Applicant is registered (or has an application pending) as a securities broker-dealer.
- ☐ B. Applicant is registered (or has an application pending) as a futures commission merchant, commodity pool operator or commodity trading adviser.
- ☐ C. Applicant has arrangements that are material to its advisory business or its clients with a related person who is a:
- |  |  |
|--|--|
| <input type="checkbox"/> (1) broker-dealer   | <input type="checkbox"/> (7) accounting firm               |
| <input type="checkbox"/> (2) investment company  | <input type="checkbox"/> (8) law firm                      |
| <input type="checkbox"/> (3) other investment adviser  | <input type="checkbox"/> (9) insurance company or agency   |
| <input type="checkbox"/> (4) financial planning firm   | <input type="checkbox"/> (10) pension consultant           |
| <input type="checkbox"/> (5) commodity pool operator, commodity trading adviser or futures commission merchant | <input type="checkbox"/> (11) real estate broker or dealer |

- ☐ (6) banking or thrift institution
- ☐ (12) entity that creates or packages limited partnerships

- D. Is the applicant or a related person a general partner in any partnership in which clients are solicited to invest?

Yes No  
☐ ☒

## 8. Code of Ethics, Participation or Interest in Client Transactions and Personal Trading.

Applicant or a related person: (check those that apply)

- ☐ A. As principal, buys securities for itself from or sells securities it owns to any client.
- ☐ B. As broker or agent effects securities transactions for compensation for any client.
- ☐ C. As broker or agent for any person other than a client effects transactions in which client securities are sold to or bought from a brokerage customer.
- ☐ D. Recommends to clients that they buy or sell securities or investment products in which the applicant or a related person has some financial interest.
- ☐ E. Buys or sells for itself securities that it also recommends to clients.

The applicant or any of its affiliates or any person connected with them may invest in, directly or indirectly, or manage or advise other investment funds or accounts which invest in assets which may also be purchased or sold by each fund. In addition, the applicant or any of its affiliates or any person connected with them may invest in assets which may also be purchased or sold by each fund. Neither the applicant nor any of its affiliates nor any person connected with them is under any obligation to offer investment opportunities of which any of them becomes aware to any of the funds or to account to any of the funds in respect of (or share with the fund or inform the fund of) any such transaction or any benefit received by any of them from any such transaction, but will allocate such opportunities on an equitable basis between the fund and other clients. The foregoing does not purport to be a complete list of all potential conflicts of interest involved in an investment in the funds. The directors/managing general partner (as appropriate) of each fund will seek to ensure that any conflict of interest of which each is aware is resolved fairly.

The applicant has adopted a Code of Ethics, predicated on the principle that the applicant owes a fiduciary duty to its clients. Accordingly, employees of the applicant must avoid activities, interests and relationships that run contrary (or appear to run contrary) to the best interests of clients. At all times, employees of the applicant will (i) place client interests ahead of the applicant's, (ii) only engage in personal investing that is in full compliance with the applicant's Code of Ethics, (iii) abide by the applicant's insider trading policies, (iv) avoid taking advantage of such employee's position of employment (i.e., employees will not accept investment opportunities, gifts or other gratuities from individuals seeking to conduct business with the applicant, other than in accordance with the applicant's gift policy), and (v) maintain full compliance with the federal securities laws, including, but not limited to, abiding by the standards set forth in Rule 204A-1 under the Investment Advisers Act of 1940, as amended. The applicant shall, upon request, furnish clients with a copy of its Code of Ethics free of charge. Compliance policies are included in the Policy and Procedure Manual. Both documents can be provided upon request.

## 9. Review of Accounts. If applicant provides investment supervisory services, manages investment advisory accounts, or holds itself out as providing financial planning or some similarly termed services:

- A. Describe below the reviews and reviewers of the accounts.  
**For reviews**, include their frequency, different levels, and triggering factors.  
**For reviewers**, include the number of reviewers, their titles and functions, instructions they receive from applicant on performing reviews, and number of accounts assigned each.

Red Star Asset Management L P currently has one account, the Red Star Value SP. The positions of the account are reviewed daily by Fund Manager, James Fenkner and research group, relative to the market prices and valuations. Together they comprise the investment committee which meets weekly to discuss investment strategy. However, the Fund Manager makes the final decision.

- B. Describe below the nature and frequency of regular reports to clients on their accounts.

Apex Fund Services has been engaged by Investment Manager as an independent Administrator to calculate Net Asset Valuations on a monthly basis. The Administrator distributes reports to clients on a monthly basis.

# 10. Investment or Brokerage Discretion.

- A. Does applicant or any related person have authority to determine, without obtaining specific client consent, the:

	Ye	No
(1) securities to be bought or sold? . . . . .	<b>X</b>	<input type="checkbox"/>
	Yes	No
(2) amount of the securities to be bought or sold? . . . . .	<b>X</b>	<input type="checkbox"/>
	Yes	No
(3) broker or dealer to be used? . . . . .	<b>X</b>	<input type="checkbox"/>
	Yes	No
(4) commission rates paid? . . . . .	<b>X</b>	<input type="checkbox"/>

- B. Does applicant or a related person suggest brokers to clients? . . . . .

Yes	No
<b>X</b>	<input type="checkbox"/>

The applicant and its related persons generally have discretionary authority on behalf of their clients without obtaining specific client consent, to determine (a) the securities to be bought or sold, (b) the amount of securities to be bought or sold, (c) the brokers or dealers through which securities are bought or sold and (d) the commission rates paid. This authority may be limited by agreements with, or instructions from, clients.

The applicant and its related persons generally seek to obtain best execution in selecting the securities brokers to execute transactions on behalf of their clients. When selecting securities brokers for clients, the applicant and its related persons consider among other things brokers' facilities, commission rates, financial responsibility, reputation, and the ability to handle difficult or large orders. Because the applicant and its related persons take into consideration a number of factors in addition to price when allocating brokerage business for their clients, client trades may not always be affected at the lowest commission available.

The applicant does not engage in soft dollar arrangements.

The applicant does not engage in any directed brokerage arrangements.

# 11. Client Referrals and Other Compensation.

Does the applicant or a related person have any arrangements, oral or in writing, where it:

- |    |  |                          |          |
|----|--|--------------------------|----------|
| A. | is paid cash by or receives some economic benefit (including commissions, equipment or non-research services) from a non-client in connection with giving advice to clients? . . . . . | Yes                      | No       |
|    |  | <input type="checkbox"/> | <b>X</b> |
|    |  | Yes                      | No       |
| B. | directly or indirectly compensates any person for client referrals? . . . . .  | <input type="checkbox"/> | <b>X</b> |

# 12. Voting Client Securities.

The applicant operates a policy of exercising proxy votes for all clients as permitted within all client agreements. Voting policy is undertaken at all times in the best interests of clients and for their benefit, while also seeking to influence entities in which the applicant invests to operate to the highest standards of corporate governance. A copy of the full proxy voting policy is available upon request.